

PUBLIC DISCLOSURE

November 6, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

THE INSTITUTION FOR SAVINGS IN NEWBURYPORT AND ITS VICINITY

93 STATE STREET
NEWBURYPORT, MA 01950

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Institution for Savings in Newburyport and its Vicinity (The Institution for Savings)** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **November 6, 2000**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".

The bank's Satisfactory rating was based on its performance under the Lending Test, the Investment Test, and the Service Test, and covers the period from January 1, 1999 through October 30, 2000.

Ratings for the three tests are individually identified on page 3. The Institution for Savings in Newburyport and its Vicinity's (The Institution for Savings) lending levels reflect a good responsiveness to its assessment area's credit needs. The bank originated 76.7% of the number and 75.4% of the dollar amount of its residential loans within its assessment area during the period under review. The bank's geographic distribution of loans, when compared to both the demographics of the assessment area as well as to the performance of all other HMDA reporters within the assessment area is considered acceptable. Based on the products reviewed, the lending distribution by borrower profile shows a good penetration among retail customers of different income levels. The Institution for Savings has made a good effort to identify community development lending opportunities and has made an acceptable number of community development loans. The Institution for Savings also makes good use of innovative and flexible lending practices in order to better serve the assessment area's credit needs, particularly those of low and moderate-income individuals.

The bank has demonstrated an adequate level of qualified community development investments and grants via donations to non-profit organizations within the assessment area that benefit affordable housing and community development. The bank exhibits reasonable responsiveness to credit and community economic development needs.

The Institution for Savings' retail delivery systems are readily accessible to all portions of the assessment area. The bank's services are designed to meet the needs of the assessment area, with specific services benefiting low and moderate-income individuals. Bank personnel regularly meet with local community organizations to discuss the credit needs of the assessment area and make their own personal contributions through volunteer efforts in various organizations.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS The Institution for Savings			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Satisfactory		X	X
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

The Institution for Savings in Newburyport and its Vicinity (The Institution for Savings) is a mutual savings institution, incorporated under the laws of the Commonwealth of Massachusetts in 1820.

As of its September 30, 2000 FDIC Quarterly Call Report, the Institution for Savings had \$367,928,000 in total assets. Of these total assets, approximately \$148,218,000 or 40.3 percent were in the form of loans.

The primary focus of the bank's loan portfolio is the origination of 1-4 family residential loans. In addition, the bank's loan portfolio contains commercial real estate loans, home equity loans and a variety of consumer loans.

Refer to the following table for the distribution of the bank's loan portfolio.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
Residential Mortgages	\$133,914	90.3%
Commercial Real Estate	\$3,693	2.5%
Equity Lines of Credit	\$6,290	4.3%
Consumer Loans	\$4,321	2.9%
Total Gross Loans	\$148,218	100.0%

Source: September 30, 2000 Consolidated Report of Condition.

The bank sells 20 and 30-year fixed- rate mortgage loans in the secondary market to Freddie Mac. During 1999, the bank sold 11 loans totaling \$1,171, 830, and during year-to-date October 30, 2000 the bank sold 3 loans totaling \$506,000.

The Institution for Savings is headquartered at 93 State Street Newburyport, Massachusetts. The bank operates one other full service office on Storey Avenue in Newburyport. The bank also has a Loan Production Office (LPO) located at 81 State Street in Newburyport. Automated Teller Machines (ATMs) are located at its two full service offices.

The Institution for Savings operates in a very competitive market, which includes 283 lenders. Local competitors include The Newburyport Five Cents Savings Bank, First & Ocean National Bank, and The Provident Bank, as well as representatives of regional and national mortgage companies. The market influence from these institutions appears to be significant, and as a result serves to keep the bank's rates and services offered competitive.

Market share information obtained from CRA WIZ, based on 1999 aggregate performance data indicates that the bank was ranked 3rd in total loans originated or

purchased within its assessment area. In addition, the bank was rated 4th in lending to low and moderate-income individuals.

The bank was last examined for compliance with the Community Reinvestment Act (CRA) by the Federal Deposit Insurance Corporation (FDIC) on October 12, 1999. That examination resulted in an overall rating of "Satisfactory". The last examination by the Division of Banks was September 21, 1998 and resulted in an overall rating of "Satisfactory".

Based on the bank's resources, size, product offerings, and branch network, there does not appear to be any legal impediments which inhibit its ability to help meet the various credit needs of the assessment area.

Description of Assessment Area

Overview

The Community Reinvestment Act (CRA) requires a financial institution to define an assessment area within which its CRA performance will be evaluated. The bank's assessment area contains five cities and towns located in the Boston and Lawrence MA-NH Metropolitan Statistical Areas (MSAs). The Office of Management and Budget establishes MSAs for statistical reporting purposes by federal agencies.

The assessment area includes the cities and towns of Newburyport, Amesbury, Newbury and Salisbury in the Boston MSA and the town of West Newbury in the Lawrence MA-NH MSA.

The assessment area is comprised of 11 census tracts, of which 10 or 90.9% are designated as middle-income; and 1 or 9.1%, is upper-income. There are no low or moderate-income census tracts in the bank's assessment area. The one upper-income census tract is located in West Newbury.

Housing information obtained from CRA WIZ, based on 1990 census data, indicates that there are 20,918 housing units within the bank's assessment area, of which 56.9% are owner-occupied units, 29.0% are rental units, and 14.1% are vacant units.

Of the above housing units, approximately 81.0% are one to four-family homes and 15.0% are multi-family (five and more units) homes. The weighted average of the median year the housing stock was built is 1953, and the weighted median housing value is \$166,734.

Income information obtained from CRA WIZ, based on adjusted 1990 census data, for the assessment area indicates a median family income of \$48,499 based upon 17,820 households and 47,203 individuals. Approximately, 23.6% of these households are considered low-income and 16.2% are considered moderate-income. Further, 6.0% of the households are living below the poverty level. The high level of low and moderate-

income family households is an indication of the potential credit needs that exist within the assessment area. Refer to the following table for more information.

ASSESSMENT AREA INCOME SUMMARY*

TOTAL HOUSEHOLDS	MEDIAN FAMILY INCOME	LOW INCOME HOUSEHOLDS		MODERATE INCOME HOUSEHOLDS		MIDDLE INCOME HOUSEHOLDS		UPPER INCOME HOUSEHOLDS	
		#	%	#	%	#	%	#	%
17,820	\$48,499	4,212	23.6	2,891	16.2	3,754	21.1	6,963	39.1

*Based on 1990 Census Data

One community contact was conducted during the examination and provided information on the assessment area. The contact was conducted in Newburyport with an organization whose primary goal is to provide housing for low and moderate-income individuals with special needs.

City of Newburyport, Massachusetts

Newburyport is located at the mouth of the Merrimac River 30 miles north of Boston. In the early 1960's the city launched a massive redevelopment plan using state and federal funds to reclaim its historic neighborhoods and to provide up-to-date infrastructure such as water and sewer renovations. Simultaneously, the city developed an industrial park that now houses diversified small industries. The city has a strong tourist industry and was the first community in the state to complete a master plan and a harbor plan.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities by considering a bank's home mortgage, home improvement and community development lending. The bank's lending performance is determined by factors such as the volume of the institution's loans within its assessment area, particularly to low and moderate-income borrowers and geographies; the institution's responsiveness to community development lending; the use of innovative and flexible lending practices; fair lending policies and practices, and the effects of the institution's lending on the retention of affordable housing. Based on these factors, the Institution for Savings' lending performance receives an overall rating of High Satisfactory. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance. Performance under the lending test is weighed more heavily than the investment and service tests when arriving at an overall rating.

I. Lending Activity

The Institution for Savings' lending activity and record of extending credit were reviewed during the course of this examination. The bank's lending levels reflect a good responsiveness to the assessment area's credit needs. The bank's assets totaled \$367,928,000 as of September 30, 2000. Gross loans totaled \$148,218,000, representing 40.3 percent of total assets.

As of September 30, 2000 the net loan to deposit ratio was 57.4 percent. This ratio has increased from 44.9 percent on June 30, 1999. The increase in this ratio is a result of a growth in net loans of 32.4 percent over the period. A contributing factor to the increase in loans is the bank's Realtor Call Program. Initiated by the bank in June 1999, all realtors in Salisbury, Amesbury, Newbury and West Newbury are visited by the bank's Loan Originator. The Mortgage Officer visits the realtors in Newburyport. According to the June 30, 2000 Uniform Bank Performance Report (UBPR), the bank's net loan to deposit ratio was 53.8 percent. The peer group's net loan to deposit ratio was 88.4 percent, placing the bank in the 10th percentile.

The bank's net loans and leases as a percent of assets, as reported in the June 30, 2000 Uniform Bank Performance Report (UBPR), was 38.7 percent. The peer group's net loans and leases to asset ratio was 66.7 percent, placing the bank in the 7th percentile. The bank's ratio is lower than peer, however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

There were 283 lenders that originated HMDA-reportable loans within the bank's assessment area in 1999. In 1999, the bank held 5.17 percent of the market share in its

assessment area, resulting in a ranking of third. The top lender within the bank's assessment area was The Newburyport Five Cents Savings Bank with a 5.88 percent market share, followed by Countrywide Home Loans with 5.38 percent.

II. Geographic Distribution

HMDA-Reportable Lending

The Institution for Savings' 1999 and 2000 Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. During this period, the bank originated 438 HMDA-reportable loans totaling \$75,852,000. Of this amount, 336 loans, or 76.7 percent of the number and \$57,223,000 or 75.4 percent of the dollar volume were within the bank's assessment area.

By number, Newburyport, accounted for the largest number of originations with 41.7 percent, followed by Newbury with 12.1 percent. Newburyport also accounted for the largest dollar volume of originations with 35.7 percent, followed by Amesbury with 17.7 percent.

Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar volume.

HMDA-Reportable Loans by Number of Originations

Location	1999		Year-to date 2000		Totals	
	#	%	#	%	#	%
Newburyport	92	42.4	91	41.2	183	41.7
Newbury	35	16.1	18	8.1	53	12.1
Amesbury	18	8.3	33	14.9	51	11.6
West Newbury	20	9.2	7	3.2	27	6.2
Salisbury	11	5.1	11	5.0	22	5.1
Inside Assessment Area	176	81.1	160	72.4	336	76.7
Outside Assessment Area	41	18.9	61	27.6	102	23.3
Total	217	100.0%	221	100.0%	438	100.0%

Source: HMDA/LAR Data for the period 1/1/99 to year-to date 09/30/00

HMDA-Reportable Loans by Dollar Volume of Originations

Location	1999		year-to-date 2000		Totals	
	\$ (000)	%	\$ (000)	%	\$(000)	%
Newburyport	12,658	40.3	14,393	32.4	27,051	35.7

Amesbury	1,790	5.7	11,688	26.3	13,478	17.7
Newbury	5,216	16.6	3,863	8.7	9,079	12.0
West Newbury	4,060	12.9	1,028	2.3	5,088	6.7
Salisbury	1,173	3.8	1,354	3.0	2,527	3.3
Inside Assessment Area	24,897	79.3	32,326	72.7	57,223	75.4
Outside Assessment Area	6,489	20.7	12,140	27.3	18,629	24.6
Total	31,386	100.0%	44,466	100.0%	75,852	100.0%

Source: HMDA/LAR Data for the period 1/1/99 to year-to-date 09/30/00.

The increase in lending in the Town of Amesbury from 1999 to 2000 can be attributed to the bank's introduction of its Affordable Housing Program, which is geared toward low and moderate-income individuals and the smaller loan amounts which fits the demographics of the town.

As indicated in the tables above, the majority of loans originated in 1999 through year-to-date September 30, 2000 were inside the bank's assessment area.

III. Distribution by Census Tract Income Level

HMDA-Reportable Lending

The bank's geographic distribution of HMDA-reportable loans is not heavily weighed in this evaluation, as there are no low and moderate-income census tracts within the bank's assessment area.

The geographic distribution of HMDA lending within The Institution for Savings' assessment area was reviewed in order to determine the extent to which the bank penetrated middle and upper-income geographies. The review covered the period from January 1, 1999 to September 30, 2000.

As stated in the performance context, the assessment area consists of 11 census tracts with the following composition: 10 or 90.9% middle-income and one or 9.1% upper-income. There are no low or moderate-income census tracts within the bank's assessment area.

The following table provides a breakdown of The Institution for Savings' residential and home improvement loan originations within the assessment area by census tract income level, by number. The table also shows the number of loans in comparison to the number of owner-occupied housing units in each census tract income category.

Distribution of HMDA-Reportable Loans by Census Tract Income Level

Census Tract Income Level	Owner-Occupied Housing Units	1999	YTD 2000	Total

	#	%	#	%	#	%	#	%
Middle	10,873	91.3	156	88.6	153	95.6	309	92.0
Upper	1,031	8.7	20	11.4	7	4.4	27	8.0
Total	11,904	100.0	176	100.0	160	100.0	336	100.0

Source: HMDA/LAR Data for the period 1/1/99 to year-to-date 09/30/00.

As shown in the above table, loans originated for 1999 and year to date 2000 is consistent with the make-up of the assessment area and the proportion of middle and upper-income census tracts.

The geographic distribution of loans by census tract income category may also be compared to that of all other HMDA-reportable lenders in the assessment area. The bank operates in a highly competitive market. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1999 and is presented in the following table.

**Distribution of HMDA-Reportable Loans Within the Assessment Area by
Census Tract Income Level
The Institution for Savings Compared to All Other HMDA-Reporters**

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	The Institution for Savings		All Other Reporters		The Institution for Savings		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Middle	156	88.6	2,956	91.7	20,837	83.7	400,587	88.4
Upper	20	11.4	269	8.3	4,060	16.3	52,549	11.6
Total	176	100.0%	3,325	100.0%	24,897	100.0%	453,136	100.0%

Source: HMDA/LAR Data for the period 1/1/99 to 12/31/99.

As demonstrated above, the percentage of the bank's lending activity in middle and upper-income census tracts is comparable to the other HMDA-reporters in the assessment area.

IV. Borrower Characteristics

The Institution for Savings' residential loans were further analyzed to determine the distribution of lending by borrower income level. Borrowers reported incomes were compared to the median family incomes of the Boston MA and Lawrence MA-NH MSAs. The income figures are based on estimated Department of Housing and Urban Development (HUD) information. The estimated median family income for the Boston MSA for 1999 and 2000 are \$62,700 and \$65,500, respectively. The estimated median family income levels for the Lawrence MA-NH MSA for 1999 and 2000 are \$57,900 and \$60,800 respectively.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median family income level for the MSA. Upper-income is defined as income equal to or greater than 120 percent of the median family income level for the MSA.

The following table shows the number of HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the number of family households in the assessment area in each respective income group.

**Distribution of HMDA-Reportable Loans to
Borrowers of Different Income Levels by Number**

Borrower Income Level	Family Households		1999		YTD 2000		Total	
	#	%	#	%	#	%	#	%
< 50%	4,212	23.6	12	6.8	6	3.8	18	5.4
50 – 79%	2,891	16.2	25	14.2	25	15.6	50	14.9
80 – 119%	3,754	21.1	47	26.7	42	26.3	89	26.4
> = 120%	6,963	39.1	92	52.3	87	54.3	179	53.3
Total	17,820	100.0	176	100.0	160	100.0	336	100.0

Source: HMDA/LAR Data for the period 1/1/99 to year-to-date 9/30/00

In 1999 and year to date September 30, 2000, the bank extended a total of 68 loans to low and moderate-income borrowers representing 20.3% of the total loans originated within the assessment area. This is below the 39.8% of low and moderate-income family households within the assessment area. However, this can be partially attributed to the fact that approximately 6.0% of the family households are below the poverty level and approximately 5.6% are on public assistance making it difficult to generate loans to low income individuals. In addition, the assessment area has a low owner-occupancy rate of 56.9%.

The bank has made a notable number of loans to low to moderate-income borrowers, especially considering that the bank's assessment area contains no low or moderate-income census tracts. Much of the bank's lending to low and moderate-income borrowers has been the result of the introduction of its Affordable Housing Program, which is targeted to these income groups. This innovative program, which was only implemented in July 2000, has resulted in the origination of 22 loans for a total amount of \$2.5 million.

The bank's distribution of loans among borrowers of different income levels was also compared to that of all other HMDA-reporting lenders in the assessment area. As previously mentioned, other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage

companies. The most recent data available for this analysis relates to calendar year 1999 and is presented in the following table.

Lending Within the Assessment Area to Borrowers of Different Income Levels
The Institution for Savings Compared to All Other HMDA-Reporters

Borrower Income Level	Number of Loans				Dollar Amount of Loans			
	The Institution for Savings		All Other Reporters		The Institution for Savings		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
< 50%	12	6.8	161	5.0	861	3.5	11,176	2.5
50 – 79%	25	14.2	507	15.7	1,667	6.7	49,955	11.0
80 – 119%	47	26.7	807	25.0	5,297	21.3	100,712	22.2
> = 120%	92	52.3	1,229	38.1	17,072	68.5	217,507	48.0
NA	0	0.0	521	16.2	0	0.0	73,786	16.3
Total	176	100.0%	3,225	100.0%	24,897	100.0%	453,136	100.0%

Source: HMDA Data for the period 1/1/99 to 12/31/99.

As shown above, the bank's percentage of loans to low and moderate-income borrowers mirrors that of the aggregate by number but falls slightly below the dollar amount. The bank originated 37 loans to low and moderate-income borrowers representing 21.0 percent as compared to the aggregate who originated 20.7 percent. By dollar amount, the bank had 10.2 percent as compared to 13.5 percent by the aggregate.

In 1999, The Institution for Savings ranked 4th in lending to low and moderate-income borrowers within its assessment area. The bank originated 37 HMDA-reportable loans to borrowers in these income groups, capturing 5.3 percent of the market. The top lender was The Newburyport Five Cents Savings Bank with a 9.1 percent share of the market.

The results of the above analysis shows that the bank's distribution of lending to borrowers of various income levels, including those of low and moderate-income, is good.

V. Community Development Lending

As defined in the revised CRA regulation, a community development loan has as its primary purpose affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reportable as a home mortgage or small business loan.

On October 30, 2000, the bank granted an \$850,000 loan to Link House, Inc. to purchase and do minimal renovations to a former nursing facility in Salisbury. Link House is a non-profit organization that owns and/or manages residential homes for recovering substance

abusers. Link House will become a facility for non-violent females previously incarcerated by the Essex County Sheriff, as well as a facility for women recovering from substance abuse.

VI. *Innovative or Flexible Lending Practices*

The Institution for Savings has designed two loan programs aimed at meeting the credit needs of low and moderate-income homebuyers. Details of these programs are as follows.

First Time Homebuyer Program

The bank's First Time Homebuyer program offers a 5-year ARM, a 7/1 ARM, and a 30-year fixed rate product. The minimum downpayment requirement is 5.0%, and the program is available with no points. In addition, debt ratios are expandable to 33.0% and 38.0%. The bank originated 25 loans totaling \$3,855,180 in 1999 and 23 loans totaling \$6,863,927 in year-to-date October 31, 2000 under this program. Although this program is not specifically targeted to only low and moderate-income individuals; during the period under review, the program resulted in 25 loans to low and moderate-income borrowers totaling \$2,520,763.

Affordable Housing Program

In July 2000 the bank introduced an affordable housing program for low and moderate-income borrowers. This program offers a discounted interest rate, a 7/1 ARM, no points and a reduction in closing costs of at least \$375 (no fee for appraisal or plot plan). The maximum family income under this program is \$52,400 (80.0% of median household income for the Boston MSA). The program is limited to 1-2 family homes with loan amounts up to \$225,000. The properties must be located within the bank's assessment area. The bank has committed \$4,000,000 to this program. The bank has originated 22 loans totaling \$2,541,764 as of year-to-date October 31, 2000 under this program.

Northern Essex County First Time Homebuyer Program (FTHB)

During the fall of 2000, The Institution for Savings along with three other area financial institutions joined in the Northern Essex County FTHB Program. Each bank has committed \$1,000,000 to the program. This program is available to families with incomes at or below 80.0% of the MSA median income for the purchase of residential, owner-occupied properties in Amesbury, Salisbury, and Newburyport. The mortgages will be 7/1 adjustable rate mortgages with a reduced interest rate and a reduction in closing costs of \$500 for each mortgage written under this program.

Other

The bank has been in partnership with a Newburyport-based family resource center since 1994. This resource center provides small, unsecured loans to low and moderate-income women and families to help pay for first month's rent and security deposits. These loans are in small increments, usually \$500 to \$1,200, with repayments terms of three to five years. The bank has committed to work with the borrowers to keep their payments current. No standard underwriting is done on these loans and the bank approves all loans recommended by the organization. In addition, the organization guarantees 25 percent of the loan amount. There are currently three loans in the bank's loan portfolio totaling \$955.

VII. Fair Lending Policies and Practices

The Institution for Savings has a formal Fair Lending Policy, which is reviewed by the Board of Directors annually. This policy in part considers the guidelines established by Regulatory Bulletin 2.3-101, the Division's Fair Lending Policy.

Detailed below is the bank's fair lending performance as it correlates to the guidelines established by the above Regulatory Bulletin.

STAFF TRAINING

The bank provides training to its employees at its monthly staff meetings. Regulatory topics are covered at these meetings, as well as the introduction of new policies, new procedures, and the reaffirmation of existing policies and procedures. These meetings are supplemented by departmental meetings conducted weekly and reinforced with individual training as needed. During the past year, all employees viewed a Fair Lending video prepared by Fannie Mae and the Independent Bankers Association of America.

STAFF COMPOSITION AND COMPENSATION

The bank has a staff of 36 full and 10 part-time employees.

The bank's loan originator is paid a base salary as well as commission. No incentive is given to make smaller real estate loans. However, a review of the loans originated by the originator for 1999 indicates an excellent mix of small and medium size loans.

OUTREACH

Refer to the community development section of the Service Test.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

Refer to the innovative or flexible lending practices in the Lending Test.

MARKETING

The bank utilizes newspapers, radio, and cable TV to advertise its credit products and services. Advertisements are placed in The Newburyport Daily News.

CREDIT EDUCATION

Refer to the credit education section in the Service Test.

COUNSELING

The bank currently refers delinquent borrowers and denied applicants to credit counseling services, including Consumer Credit Counseling Services of Massachusetts (CCCS).

SECOND REVIEW PRACTICES

The bank performs a second review on all denied applications before an adverse action notice is sent to the applicant. The second review is performed by another individual with lending authority.

INTERNAL CONTROL PROCEDURES

The bank uses an outside CPA firm to review the bank's fair lending practices to determine compliance with the appropriate regulations. At least quarterly, the bank performs a market analysis using information from Real Estate Solutions, a company associated with Bankers and Tradesmen. The analysis includes the market share of each of the communities within the assessment area, as well as the cumulative numbers for all.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. From January 1, 1999, through September 30, 2000, the bank received 399 residential loan applications from within its assessment area. During this period, 12 applications, or 3.0 percent, were received from minorities. Refer to the following table for further details.

APPLICATION FLOW

Race	1999		2000-YTD		Total	
	#	%	#	%	#	%
American Indian	0	0.0	1	0.5	1	0.3
Asian	0	0.0	0	0.0	0	0.0
Black	1	0.5	0	0.0	1	0.3
Hispanic	0	0.0	0	0.0	0	0.0
Joint Race	6	2.8	3	1.6	9	2.1
Other	1	0.5	0	0.0	1	0.3
Total Minority	8	3.8	4	2.1	12	3.0

White	203	96.2	184	97.9	387	97.0
Total	211	100.0	188	100.0	399	100.0

According to 1990 Census Data, the bank's assessment area contained a total population of 47,203 individuals of which 1.5 percent are minorities. The minority population is 0.1 percent American Indian, 0.4 percent Asian, 0.4 percent Black, 0.4 percent Hispanic and 0.2 percent Other minorities.

In 1999, The Institution for Savings received 211 residential loan applications from within its assessment area. During this period, 8 applications, or 3.8 percent, were received from minorities. This included 0.5 percent from Blacks, 2.8 percent from Joint Race, and 0.5 percent from Others.

Aggregate information indicated that, of the 4,463 HMDA-reportable applications received within the assessment area in 1999, 2.4 percent were from minorities: 0.5 percent from American Indians, 0.5 percent from Asians, 0.2 percent from Blacks, 0.2 percent from Hispanics, 0.8 percent from Joint Race and 0.2 percent from Other Minorities.

The above analysis indicates the bank's performance in 1999 was better than the aggregate when lending to the minority population within its assessment area.

VIII. Loss of Affordable Housing

The bank's participation in community development projects, along with its development of credit products with flexible lending criteria has assisted low and moderate-income individuals to remain in their neighborhoods.

CONCLUSION - Lending Test

The Institution for Savings has demonstrated a good responsiveness to the credit needs of its assessment area. A high percentage of the bank's home mortgage and home improvement loans are made and distributed throughout the communities within its assessment area. The distribution of borrowers reflects a good penetration among borrowers of different income levels. The institution has employed innovative and flexible lending practices to address the credit needs of low and moderate-income individuals. In addition, the bank's fair lending performance was found to be satisfactory at this time. Therefore, the institution's lending performance receives an overall rating of high satisfactory.

INVESTMENT TEST

As defined under the revised CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its

primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments; not just those made since the previous CRA examination.

The bank has made an adequate level of qualified investments via contributions to local organizations.

Charitable Contributions

The Institution for Savings in Newburyport and its Vicinity Charitable Foundation, Inc.

The bank established this foundation as a means of providing organized contributions to its community. The Board of Directors of the Foundation selects grant recipients on an on-going basis from among public charities that apply for or request grants. A minimum of five percent of the organization's investment assets is to be distributed annually. This foundation was initially funded with \$1.0 million in corporate stock from the bank in 1997, with an additional contribution of \$1.3 million during 1998.

From July 1, 1997 through October 30, 2000 the foundation has provided grants totaling \$334,500 to various organizations. Approximately \$87,500 (26 percent) qualifies for community development purposes. During the period under review the bank granted \$164,500 in contributions. Of this amount, approximately \$57,500 was considered to be qualified investments. The following are examples of the bank's qualified investments.

- **YWCA of Newburyport:** The YWCA provides a wide variety of services to all residents of the community, with particular emphasis on low-income housing through a group residence on Market Street, Newburyport, and a recently acquired apartment building next door for low-income households.
- **Women's Crisis Center:** This organization provides a variety of critically needed support services to women seeking to escape domestic violence, including short term, emergency housing. The predominant groups that receive assistance are low and moderate-income women.
- **Salisbury Assisted Living Center, Inc.:** This center provides subsidized housing to predominantly low and moderate-income elderly individuals.
- **Community Services of Newburyport, Inc.:** This social service organization aids the hungry, homeless and less fortunate members of the community by providing a food pantry, clothing, household items, food vouchers and utility vouchers, to individuals and families in the greater Newburyport area.

- **Anna Jaques Hospital Community Foundation:** This organization is the fundraising arm for the local hospital. Funds raised go directly to offset operating losses. The hospital does not turn away uninsured patients, therefore low and moderate-income households are able to utilize the hospital's services.
- **Northern Essex Community College:** This community college offers scholarships for the residents of the assessment area. These scholarships are need-based, and therefore awarded to low and moderate-income individuals.

In addition to the charitable foundation's grants, the bank made charitable contributions totaling \$43,900 during the evaluation period. The following is a list of the organizations that received charitable contributions:

- **Merrimack Valley United Way:** This organization provides funding for several area non-profit organizations. The majority of individuals and families who benefit from United Way are of low and moderate income.
- **Christmas in April:** This non-profit organization assists in the renovations of houses for low-income individuals and families through donations and volunteer labor. The bank's donation was used for the renovation of two homes in the Newburyport area.
- **Consumer Credit Counseling Service:** This non-profit organization provides counseling and educational programs for individuals having credit problems. Low and moderate-income individuals represent a significant portion of the client base.

CONCLUSION - Investment Test

The Institution for Savings primarily participates in qualified investments through its charitable contributions within the assessment area. These contributions are directed at low and moderate-income individuals and areas. The bank has made an adequate level of qualified investments, and has exhibited reasonable responsiveness to community economic development needs. Therefore, the bank's investment performance is at a satisfactory level.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The following describes the institution's services.

Retail Banking Services

The Institution for Savings' main office is located at 93 State Street, a middle-income census tract, in downtown Newburyport. There is also an additional branch and a lending office located in middle-income census tracts in Newburyport. Both the main office and the branch are open from 8:00 a.m. to 4:00 p.m. on Monday and Tuesday. The main office is open from 8:00 a.m. to 12:30 p.m. on Wednesday; however, these hours are typical of banks in the local area. The branch remains open until 4:00 p.m. on Wednesday. The main office hours are from 8:00 a.m. to 6:00 p.m. on Thursday and Friday, while the branch is open until 4:00 p.m. on Thursday and 7:00 p.m. on Friday. Both offices are open from 9:00 a.m. to 12:00 p.m. on Saturday. The lending department is also open from 9:00 a.m. to 7:00 p.m. Monday through Friday and 9:00 a.m. to 2:00 p.m. on Saturday.

The Institution for Savings maintains a Branch Closing Policy, which outlines the bank's procedures for opening and closing branches. The policy meets regulatory requirements concerning branch closing notification and policies. Since the last examination, no offices have been closed.

The Institution for Savings is a participant in Massachusetts Community and Banking Council's (MCBC) Basic Banking Program. The program's purpose is to encourage financial institutions to offer low-cost checking and savings accounts for people with modest incomes. The bank participates by offering the following low cost checking and savings accounts:

- **No-Fee Checking Account (Basic Banking checking account):** the account has no minimum balance requirement and no fees.
- **N.O.W. Checking Account (Basic Banking checking account):** a minimum balance of \$500 is required to open the account. The monthly charge of \$5.00 per month is waived if daily balance of \$500 is maintained.
- **Regular Savings Account (Basic Banking savings account):** the account has no minimum balance requirement and no fees.
- **Statement Savings Account (Basic Banking savings account):** the account has no minimum balance requirement and no fees.

Alternative Delivery Systems

Both branch offices have 24-hour Automated Teller Machine (ATM) services, which are linked to the Cirrus, NYCE, TX and SUM networks. The bank is a member of SUM, which enables customers of SUM member institutions to use these ATMs without a surcharge. In addition, bank customers are not charged an ATM fee for using the bank's ATMs.

The bank provides a 24-hour telephone banking line. This service allows customers of the bank to get information on their accounts at any time of the day.

The Institution for Savings' Web Site: www.institutionforsavings.com provides information about the products and services that the bank provides. It also provides an on-line application form.

Community Development Services

The CRA regulation defines a community development service as a service whose purpose is primarily community development and is related to the provision of financial services. Detailed below are the Institution for Savings' community development services.

Officers of the bank lend their technical expertise, experience, and judgment to organizations that directly address economic and affordable housing development. The following is a sample of these involvements.

- **Home for Aged Men:** The President of the bank serves on the Board of Trustees of this organization that provides housing and support for indigent elderly men in the Newburyport area.
- **Christmas in April:** A Vice President of the bank serves as the President for this organization. Christmas in April is an organization, which renovates and improves housing for low-income families throughout the Newburyport area.
- **Women's Crisis Center:** The Human Resources Officer of the bank serves on the Board of Directors. This organization provides emergency shelter and support to women escaping domestic violence.

Credit Education

In September, October and November 2000, the Institution for Savings conducted Coastal First Time Home Buyer Seminars a.k.a. Northern Essex County FTHB Program. The seminars were conducted at the Institution for Savings by the bank's Vice President of Lending. The First Time Home Buyer Program includes reduced rate mortgages, access to reduced rate second mortgages, \$500 reduction in closing costs and mortgage pre-qualification assistance.

Conclusion - Service Test

The Institution for Savings' systems for delivering retail-banking services are reasonably accessible to geographies and individuals of different income levels in its assessment area, including those of low and moderate-income. The bank's management has provided an adequate level of community development services. Therefore, the bank's service activities receive a rating of Satisfactory.

APPENDIX A

SCOPE OF EXAMINATION

The Institution for Savings' assessment area was reviewed using the examination procedures for large banks. The City of Newburyport, and the towns of Amesbury, Salisbury, and Newbury are in the Boston MSA. The Town of West Newbury is in the Lawrence NH-MA MSA. The Town of West Newbury contains the assessment area's only upper-income census tract.

The CRA evaluation included HMDA-reportable loans and covered the period from January 1, 1999 to September 30, 2000.

The bank's qualified investments were also reviewed and exhibit adequate responsiveness to community economic development needs.

In addition, the bank's systems for delivering retail banking services and the provision of community development services were considered.

Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from CRA WIZ. The examination also included a review of the bank's Public File, which contained no negative CRA-related comments.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

THE INSTITUTION FOR SAVINGS IN NEWBURYPORT AND ITS VICINITY

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **NOVEMBER 6, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.